

BERKSHIRE INCOME REALTY INC
Form 10-Q
November 15, 2006
United States

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2006

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File number 001-31659

Berkshire Income Realty, Inc.

Maryland

32-0024337

(State or other jurisdiction of incorporation or organization) (I. R. S. Employer Identification No.)

One Beacon Street, Boston, Massachusetts

02108

(Address of principal executive offices)

(Zip Code)

(617) 523-7722

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act (Check one):

Large Accelerated Filer[] Accelerated Filer[] Non-accelerated Filer[X]

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes[X] No []

There were 1,406,196 shares of Class B common stock outstanding as of November 14, 2006.

BERKSHIRE INCOME REALTY, INC.

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Part I. FINANCIAL INFORMATION

Item 1. CONSOLIDATED FINANCIAL STATEMENTS

BERKSHIRE INCOME REALTY, INC.

CONSOLIDATED BALANCE SHEETS

(unaudited)

	September 30, 2006	December 31, 2005
ASSETS		
Multifamily apartment communities, net of accumulated depreciation of \$143,055,349 and \$126,910,939 respectively	\$ 400,984,895	\$ 384,046,110
Cash and cash equivalents	45,225,209	22,134,658
Cash restricted for tenant security deposits	1,940,971	1,448,440
Replacement reserve escrow	613,521	1,570,379
Prepaid expenses and other assets	13,211,848	8,973,313
Investment in Mortgage Funds	-	-
Investment in Multifamily Venture and Limited Partnership Venture	7,794,953	3,397,825
Acquired in place leases and tenant relationships, net of accumulated amortization of \$5,870,263 and \$5,047,287 respectively	471,201	917,064
Deferred expenses, net of accumulated amortization of \$598,034 and \$645,268 respectively	3,148,916	3,174,103
Total assets	\$ 473,391,514	\$ 425,661,892
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Mortgage notes payable	\$ 434,839,200	\$ 370,521,700
Due to affiliates	1,656,139	1,379,602
Dividend and distributions payable	9,837,607	1,837,607
Accrued expenses and other liabilities	12,143,037	10,050,160
Tenant security deposits	2,175,478	1,945,989
Total liabilities	460,651,461	385,735,058
Commitments and contingencies	-	-
Minority interest in properties	81,495	7,003,446
Minority common interest in Operating Partnership	-	-
Stockholders' equity:		
Series A 9% Cumulative Redeemable Preferred Stock, no par value, \$25 stated value, 5,000,000 shares authorized, 2,978,110 shares issued and outstanding at September 30, 2006 and December 31, 2005, respectively	70,210,830	70,210,830
Class A common stock, \$.01 par value, 5,000,000 shares authorized, 0 shares issued and outstanding at September 30, 2006 and December 31, 2005, respectively	-	-
Class B common stock, \$.01 par value, 5,000,000 shares authorized, 1,406,196 issued and outstanding at September 30, 2006 and December 31, 2005, respectively	14,062	14,062
Excess stock, \$.01 par value, 15,000,000 shares authorized, 0 shares issued and outstanding at September 30, 2006 and December 31, 2005, respectively	-	-
Accumulated deficit	(57,566,334)	(37,301,504)
Accumulated other comprehensive income (loss)	-	-

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Total stockholders' equity	12,658,558	32,923,388
Total liabilities and stockholders' equity	\$ 473,391,514	\$ 425,661,892

The accompanying notes are an integral part of these financial statements.

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BERKSHIRE INCOME REALTY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	Three months ended		Nine months ended	
	September 30, 2006	September 30, 2005	2006	2005
Revenue:				
Rental	\$ 18,243,989	\$ 16,092,704	\$ 52,707,449	\$ 43,805,061
Interest	241,329	149,696	683,853	322,312
Utility reimbursement	275,095	198,567	835,928	610,164
Other	774,093	588,845	2,136,576	1,611,473
Total revenue	19,534,506	17,029,812	56,363,806	46,349,010
Expenses:				
Operating	5,101,726	4,152,522	14,886,647	11,430,616
Maintenance	1,705,081	1,342,494	4,323,984	3,460,326
Real estate taxes	2,113,330	1,883,867	6,138,767	5,101,785
General and administrative	846,771	995,412	2,074,312	2,987,930
Management fees	1,194,075	1,090,617	3,456,585	3,038,744
Depreciation	6,745,323	5,682,906	19,947,747	14,698,315
Interest	5,376,537	4,548,982	15,074,328	12,399,147
Loss on extinguishment of debt	1,540,851	80,017	1,822,615	80,017
Amortization of acquired in-place leases and tenant relationships	266,036	755,326	822,976	2,834,713
Total expenses	24,889,730	20,532,143	68,547,961	56,031,593
Loss before minority interest in properties, equity in income (loss) of Multifamily Venture and Limited Partnership Venture, equity in income of Mortgage Funds, minority common interest in Operating Partnership and income from discontinued operations	(5,355,224)	(3,502,331)	(12,184,155)	(9,682,583)
Minority interest in properties	30,140	14,964	(1,183,238)	77,900
Equity in income (loss) of Multifamily Venture and Limited Partnership Venture	(356,188)	(23,943)	9,128,158	(67,316)
Equity in income of Mortgage Funds	-	1,973,191	-	3,127,348
Minority common interest in Operating Partnership	(9,761,000)	(244,025)	(10,737,100)	(488,050)
Net loss from continuing operations	(15,442,272)	(1,782,144)	(14,976,335)	(7,032,701)
Discontinued operations:				
Income (loss) from discontinued operations	-	1,100	-	(1,112,713)
Gain (loss) on disposition of real estate assets	-	(42,732)	-	25,215,105
Income (loss) from discontinued operations	-	(41,632)	-	24,102,392
Net income (loss)	\$ (15,442,272)	\$ (1,823,776)	\$ (14,976,335)	\$ 17,069,691
Preferred dividend	(1,675,198)	(1,675,199)	(5,025,595)	(5,025,598)
Net income (loss) available to common shareholders	\$ (17,117,470)	\$ (3,498,975)	\$ (20,001,930)	\$ 12,044,093

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Net loss from continuing operations available to common shareholders per common share, basic and diluted	\$ (12.17)	\$ (2.46)	\$ (14.22)	\$ (9.07)
Income (loss) from discontinued operations available per common share, basic and diluted				
	\$ -	\$ (.03)	\$ -	\$ 18.13
Net income (loss) available to common shareholders, per common share, basic and diluted	\$ (12.17)	\$ (2.49)	\$ (14.22)	\$ 9.06
Weighted average number of common shares outstanding, basic and diluted	1,406,196	1,406,196	1,406,196	1,329,675